

DEPARTMENT OF TREASURY

**TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION**

FISCAL YEAR 2006

CONGRESSIONAL BUDGET SUBMISSION

FY 2006 Performance Budget Request**Table of Contents**

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Strategic Context for the FY 2006 Budget/Performance Plan

This document presents justification of the FY 2006 budget request by demonstrating how the funding will enable the Treasury Inspector General for Tax Administration (TIGTA) to achieve its strategic goals and objectives in support of its mission.

Mission

TIGTA's mission is to provide audit and investigative services that promote economy, efficiency, and integrity in the administration of the internal revenue laws.

TIGTA ensures that the Internal Revenue Service (IRS) is accountable in its administration of almost \$2 trillion in revenue. Through its audits and investigations, TIGTA fosters economy and efficiency while protecting against corruption both internally and externally. An independent voice reporting directly to the Treasury Secretary and Congress, TIGTA's oversight extends to not just the IRS but includes the IRS Chief Counsel, IRS Oversight Board and indeed all federal income tax administration. Ensuring the tax system is working fairly and effectively maintains confidence in America's economy.

Key Strategic Issues

TIGTA's requested funding will be used to continue providing critical audit and investigative services to ensure the integrity of tax administration on behalf of the nation's taxpayers. TIGTA protects the public's confidence in the tax system by supporting the IRS in achieving its strategic goals and identifying and addressing IRS' material weaknesses. TIGTA's efforts incorporate the *President's Management Agenda* (PMA), as well as the priorities of the Department of the Treasury. Further, in an environment of increased security risks, TIGTA undertakes various investigative initiatives designed to protect the IRS against external threats to systems and/or employees, and conveying information about potential terrorist attacks or other threatening activities directly to the IRS.

TIGTA is impacted by any legislation and/or priorities that involve the scope of IRS' operations. For example, IRS Commissioner Everson's increased emphasis on enforcement activities impacts TIGTA's resources and scope of work because of its statutory oversight responsibilities. Specifically, TIGTA is requesting resources for enhanced audit and investigative activities to respond to the IRS' new Debt Collection Initiative. The passage of the American Jobs Creation Act of 2004 cleared the path for the IRS to initiate a delinquent debt collection effort through the use of private contractors. This is an important and highly visible initiative requiring TIGTA's involvement early in the process to ensure proper oversight. The debt collection contract has ramifications beyond the typical private contract arrangement, in that it provides contractor compensation based on collection incentives. TIGTA is seeking resources of \$750,000 and 4 Full-Time Equivalents in FY 2006 to begin oversight and ensure the IRS succeeds in this collection

effort. The IRS expects to eventually have 12 private contractors that could involve 2,500 employees handling the collection of approximately \$13 billion in delinquent debt.

TIGTA's audit and investigative program activities support its mission and responsibilities to its customers and stakeholders. Two mission-based strategic goals guide the organization:

Goal 1 – Promote the Economy, Efficiency, and Effectiveness of Tax Administration

The structure of TIGTA's audits and investigations are designed to identify opportunities to improve the administration of the nation's tax laws. Comprehensive, independent performance and financial audits of IRS programs and operations are therefore focused on mandated reviews and on high-risk challenges facing the IRS. TIGTA annually reviews priorities for the IRS taking into account input from the IRS, Congress, and other stakeholders to develop an audit plan designed to identify and overcome programmatic and operational weaknesses. These audits delve into a variety of key issues, including: information technology; computer and employee security; tax compliance initiatives; performance and financial management; taxpayer protection and rights; tax return processing; customer service, and tax fraud.

Goal 2 – Protect the Integrity of Tax Administration

TIGTA's role in providing oversight of IRS activities and operations is realized through careful planning and implementation of its investigative and audit efforts. To combat fraud and abuse, investigative work is centered on three core performance areas: employee integrity, employee and infrastructure security, and external attempts to corrupt tax administration. Criminal and administrative misconduct by IRS employees weakens the public's trust in government and impedes effective tax administration. Heightened integrity awareness is achieved through the regular use of integrity awareness presentations to IRS employees, law enforcement agencies, tax practitioners and community groups.

Additionally, TIGTA performs audits to determine if the IRS adequately ensures fair and equitable treatment of taxpayers. Audit recommendations result in cost savings as well as other quantifiable impacts. These include the reduction of taxpayer burden; protection of taxpayer rights and entitlements; taxpayer privacy and security; and protection of IRS resources.

President's Management Agenda and Treasury Priorities

As change is inevitable, TIGTA is challenged to deliver responsive, quality audit and investigative services in an environment of increased security risks, tax complexities, and fiscal discipline. Therefore, to provide useful, balanced information that assists Treasury and the IRS in achieving their missions, TIGTA continues to incorporate the major components of the *PMA* into organizational operations in the following ways:

- *Performance-Budget Integration* – TIGTA actively incorporates performance metrics in its decision-making process and strives to further align program results with resource allocations. TIGTA is developing its second-generation performance metrics that will align individual and office performance with the *Strategic Plan*. This process of “driving down” performance goals and measures from the broader organizational level to the office level and further to the individual level, allows each individual to better understand how their work is connected to the larger mission. In turn, the relationship between organizational performance and associated costs for program activities becomes more transparent and manageable.
- *Human Capital Management* – TIGTA continues to modernize recruitment, retention, professional development and evaluation process strategies. Also, TIGTA is shifting the spotlight of the organization from the top to its broader base by increasing autonomy, articulating expectations, and assuring that TIGTA’s strategic goals and performance metrics are aligned at the individual, field office, and headquarters levels. TIGTA developed its Human Capital Strategic Plan which links to Treasury’s Human Capital Strategic Plan.

TIGTA is a leader in telecommuting, which allows its employees to take work where it can be most effectively and economically accomplished. TIGTA has been recognized with various awards for its Telework program and most recently the Leadership in Specialized Programs for Teleworkers Award. This award recognizes employers who have voluntarily initiated alternative commuter programs such as TIGTA’s *Hoteling* initiative. Criteria for awarding employers typically includes making a positive difference on the organization and its employees; increased productivity; less stressful commutes and an overall contribution to improved air quality in a particular region.

- *Competitive Sourcing* – TIGTA will continue to consider competitive sourcing to shift resources from mission support to mission delivery wherever it is deemed appropriate and cost effective. TIGTA continuously looks for improved ways of doing business and sharing common tasks with other Treasury bureaus. For example, TIGTA uses the Bureau of Public Debt’s Franchise fund for personnel, travel, procurement, and accounting services.
- *E-Government* – TIGTA continuously improves its security program and has made significant improvements in systems security by implementing the *Federal Information Security Management Act* (FISMA) for securing information technology systems. TIGTA completed a comprehensive update to policies and procedures to improve security planning, management of systems, and the avoidance of risk from exposure to security vulnerabilities. Ensuring compliance with FISMA and OMB’s Circular A-130 is assisting TIGTA in carrying out its mission. In addition, TIGTA participates in Treasury Architecture activities that fully embrace Treasury-wide enterprise solutions. By the end of FY 2005 all TIGTA systems will be certified and accredited.

TIGTA also redesigned its web page to be more citizen-focused to assist the public and other stakeholders in more easily accessing information about TIGTA and its services and products.

- *Financial Management* – TIGTA will continue to achieve the goal of closing its books within three days, improving the timeliness and accuracy of its financial information, and striving to reduce the resources required to produce this information. This will be accomplished while maintaining quality and accuracy. In addition, TIGTA uses an Investment Review Board that reviews all investments to ensure resources are committed to achieve greater productivity while maintaining cost efficiencies in TIGTA's work.

TIGTA SUPPORT OF TREASURY GOALS AND OBJECTIVES (TABLE 1.1)

Treasury Strategic Goal (M5): Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of the Treasury.	
Treasury's Strategic Objective	TIGTA's Strategic Goal
Protect the integrity of the Department of the Treasury. (M5A)	Promote the economy, efficiency, and effectiveness of tax administration.
	Protect the integrity of tax administration.

APPROPRIATION LANGUAGE SHEET

DEPARTMENT OF THE TREASURY
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Federal Funds

General and Special Funds:

SALARIES AND EXPENSES

For necessary expenses of the Treasury Inspector General for Tax Administration, in carrying out the Inspector General Act of 1978, as amended, including purchase (not to exceed 150 for replacement only for police-type use) and hire of passenger motor vehicles (31 U.S.C. 1343 (b)); services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration; not to exceed \$6,000,000 for official travel expenses; and not to exceed \$500,000 for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General for Tax Administration, [\$129,126,000] \$133,286,000; and of which not to exceed \$1,500 shall be available for official reception and representation expenses.
(Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)

SECTION 2 – THE PERFORMANCE BUDGET**SUMMARY OF TOTAL PROGRAM OPERATING LEVEL BY TREASURY GOAL AND OBJECTIVE (TABLE 2.1)***

(Dollars in Thousands)

Treasury Goal/Objective	FY 2004 Actual	FY 2005 Estimate	FY 2006 Proposed
Treasury Goal: Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of Treasury (M5)			
Appropriated Budget Obligations	\$126,795	\$128,093	\$133,286
Appropriated Full-time Equivalents (FTE)	862	852	856
Reimbursable Budget Obligations	\$3,073	\$3,041	\$2,950
Reimbursable Full-time Equivalents (FTE)	15	15	15
Less Unobligated balance expiring	-	-	-
Full-Time Equivalents (FTE)	-	-	-
Total Budget Obligations	\$129,868	\$131,134	\$136,236
Total Full-Time Equivalents (FTE)	877	867	871
<i>Objective: Protect the integrity of the Department of the Treasury (M5A)</i>			
Budget Activity: Audit			
Appropriated Budget Obligations	\$48,151	\$48,392	\$50,329
Direct Full-time Equivalents (FTE)	370	357	358
Reimbursable Budget Obligations	\$50	\$50	\$125
Reimbursable Full-time Equivalents (FTE)	0	0	0
<i>Total Budget Obligations</i>	<i>\$48,201</i>	<i>\$48,442</i>	<i>\$50,454</i>
<i>Total Full-Time Equivalents (FTE)</i>	<i>370</i>	<i>357</i>	<i>358</i>
Budget Activity: Investigations			
Appropriated Budget Obligations	\$78,644	\$79,701	\$82,957
Direct Full-time Equivalents (FTE)	492	495	498
Reimbursable Budget Obligations	\$3,023	\$2,991	\$2,825
Reimbursable Full-time Equivalents (FTE)	15	15	15
<i>Total Budget Obligations</i>	<i>\$81,667</i>	<i>\$82,692</i>	<i>\$85,782</i>
<i>Total Full-Time Equivalents (FTE)</i>	<i>507</i>	<i>510</i>	<i>513</i>
* Includes resources from all sources of funding.			

ANALYSIS OF FY 2005 APPROPRIATED LEVEL (Table 2.2)

	FTE	Amount (\$000)
FY 2005 President's Budget.....	862	\$129,126
Adjustments (+/-):	0	0
Rescission (H.R. 4818) (Resources and related FTE).....	(10)	(1,033)
FY 2005 Enacted.....	852	128,093

DIGEST OF FY 2006 BUDGET ESTIMATES BY ACTIVITY (Table 2.3)

(Dollars in Thousands)

BUDGET ACTIVITY	FY 2004 Actual		FY 2005 Enacted		FY 2006 Budget Estimate		INCREASE (+) OR DECREASE (-) FOR FY 2006					
							TOTAL CHANGES		PROGRAM CHANGES		OTHER CHANGES	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Appropriated Resources (all sources)												
1. Audit	* 369	* \$48,347	357	\$48,392	358	\$50,329	1	\$1,937	1	\$153	0	\$1,784
2. Investigations	* 516	* \$78,932	495	79,701	498	82,957	3	3,256	3	597	0	2,659
Total, Appropriated Resources	885	\$127,279	852	\$128,093	856	\$133,286	4	\$5,193	4	\$750	0	\$4,443
Adjustments (+/-):												
Unobligated balance lapsing	(23)	(\$484)										
Offsetting Collections - Reimbursable 1/	15	\$3,073	15	\$3,041	15	\$2,950	0	(\$91)	0	\$0	0	(\$91)
Subtotal, Adjustments	(8)	\$2,589	15	\$3,041	15	\$2,950	0	(\$91)	0	\$0	0	(\$91)
Program Operating Level												
1. Audit	370	\$48,201	357	\$48,442	358	\$50,454	1	\$2,012	1	\$153	0	\$1,859
2. Investigations	507	81,667	510	82,692	513	85,782	3	3,090	3	597	0	2,493
Total, Program Operating Level	877	\$129,868	867	\$131,134	871	\$136,236	4	\$5,102	4	\$750	0	\$4,352

* FY 2004 Appropriated Resources (all sources) lists enacted FTEs and dollars. Program Operating Level lists actuals.

SUMMARY EXPLANATIONS OF FY 2006 REQUESTED CHANGES BY ACTIVITY (Table 2.6)						
(ALL INITIATIVES ARE LISTED IN ORDER OF PRIORITY)						
(Dollars in Thousands)						
Requested Changes	Audit		Investigations		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
1. PROGRAM REDUCTIONS:	0	0	0	0	0	0
2. PROGRAM INCREASES / REINVESTMENTS (in order of priority):						
Collection Contract Services Initiative to provide oversight of the IRS' new Debt Collection Program.	1	153	3	597	4	750
SUBTOTAL, PROGRAM INCREASES / REINVESTMENTS	1	153	3	597	4	750
3. TOTAL ADJUSTMENTS TO BASE:						
a. Adjustments Necessary to Maintain Current Levels:		1,700		2,542		4,242
b. Transfer from IRS base for TIGTA's FECA costs previously paid from IRS resources.		84		117		201
SUBTOTAL, TOTAL ADJUSTMENTS TO BASE:	0	1,784	0	2,659	0	4,443
TOTAL CHANGES, BUDGET AUTHORITY	1	1,937	3	3,256	4	5,193

SUMMARY OF PROGRAM INCREASES AND DECREASES (EXHIBIT 2a)

In FY 2006, appropriated funding requirements for the Treasury Inspector General for Tax Administration (TIGTA) are projected to be **\$133,286,000**. This is a total increase of **\$5,193,000** over the FY 2005 appropriation for salaries and expenses. The associated FY 2006 FTE level is 856, which is 4 FTE more than FY 2005.

TOTAL REQUESTED CHANGES..... +\$5,193,000 /4 FTE

I. PROGRAM INCREASES.....+\$750,000 / 4 FTE

TIGTA is requesting resources to enhance audit and investigations in support of the IRS' new Debt Collection Program. Recent authorizing legislation passed allowing the IRS to utilize private contractors to collect delinquent taxes. TIGTA will provide oversight to the program which is expected to involve 12 contractors with an estimated 2,500 employees. The use of private contractors to collect delinquent debt can be effective, but has inherent risks. This investment will help ensure proper oversight to protect taxpayer rights and the government's interests.

II. TOTAL ADJUSTMENTS TO BASE.....+\$4,443,000 / 0 FTE

Adjustments Necessary to Maintain Current Levels (MCL).....+\$4,242,000 / 0 FTE

- a. Proposed Pay Raise..... \$1,764,000
- b. Non-Pay Inflation..... 1,570,000
- c. Pay Annualization..... 908,000

Transfer from IRS for TIGTA's FECA costs.....+ 201,000 / 0 FTE

Section 3 - EXPLANATION OF PERFORMANCE AND RESOURCES BY BUDGET ACTIVITY

TIGTA's FY 2006 performance budget is presented programmatically to align resources with performance. TIGTA's operations are divided into two major budget activities: *audit and investigation*. For each of TIGTA's budget activities, an explanation of how resources will be used is identified in narrative and critical performance metrics to better emphasize historical trends as well as performance challenges and expectations.

Budget Activity: Audit

Audit activities are focused on promoting the sound administration of the nation's tax laws by conducting comprehensive, independent performance and financial audits; assessing efficiency, economy, and effectiveness of IRS programs and operations; ensuring compliance with applicable tax laws and regulations; and preventing, detecting and deterring fraud, waste and abuse. Further, audit work is based on a comprehensive analysis that incorporates major management challenges the IRS faces, along with specific areas of concern to Congress, the IRS Commissioner, and the IRS Oversight Board. As a result of this analysis, The Office of Audit (OA) develops an Annual Audit Plan, which reflects the direction the audit work will take.

Since its inception, TIGTA has strategically aligned its audit activities in the same manner the IRS organizes its core business processes:

- ☐ Headquarters Operations and Exempt Organizations
- ☐ Small Business and Corporate Programs
- ☐ Wage and Investment Income
- ☐ Information Systems

This alignment has produced audit activities that are more efficient and economical and provide a greater return-on-investment for the American people. Emphasis is also placed on TIGTA's statutory responsibilities, as required by the IRS Reform and Restructuring Act of 1998 (RRA 98), as well as on other statutory authorities and standards involving computer systems and financial management.

Budget Activity: Audit**SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (TABLE 3.1)****(Dollars in Thousands)**

Treasury Goal: <i>Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of the Treasury (M5)</i>							
Budget Activity: Audit	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	Target ^{1/}	FY 2004 Actual:	FY 2005 Target ¹	FY 2006 Proposed ¹
Total Operating Level (appropriated and reimbursable)	N/A ^{2/}	N/A ^{2/}	\$48,498	\$48,397	\$48,201	\$48,442	\$50,454
Total FTE (direct and reimbursable)	N/A ^{2/}	N/A ^{2/}	377	369	370	357	358
Treasury Objective: Protect the integrity of the Department of the Treasury (M5A)							
Appropriated Resources (Salary and Expense Account)	N/A ^{2/}	N/A ^{2/}	\$47,789	\$48,347	\$48,151	\$48,392	\$50,329
Direct FTE			377	369	370	357	358
Offsetting Collections (reimbursable)	N/A ^{2/}	N/A ^{2/}	\$709	\$50	\$50	\$50	\$125
Reimbursable FTE			0	0	0	0	0
Strategic Goal: Promote the economy, efficiency and effectiveness of tax administration							
1. Increase in potential <i>financial accomplishments</i> ^{3/} that result from audit activities.	\$26.7B	\$801.0M	\$9.1B	\$1.18B	\$5.7B	Discontinued	Discontinued
2. Number of final audit reports issued.	162	159	163	128	139	Discontinued	Discontinued
3. Average staff days to issue final audit report.	309	279	293	350	319	Discontinued	Discontinued
4. Average calendar days to issue final audit report.	335	308	317	300	338	300	300

Strategic Goal: Protect the integrity of tax administration.

Performance Measures:

5. Increase in the total taxpayer accounts impacted as a result of audit activities.	14.5M	7.5M	47M	13.4M	49.7M	13M	14.5M
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^{1/} Targets and/or proposed do not include audits conducted by Defense Contract Audit Agency (DCAA).

^{2/} Not applicable due to variances in reporting formats.

^{3/} Performance measure revised in FY 2004.

Budget Activity: Audit**Evaluation of FY 2005 Performance Plan compared to Prior Year**

TIGTA's OA substantially exceeded its FY 2004 performance targets in all but one category. Audit activities are directed towards achieving results by impacting cost savings, increasing and protecting revenue, and positively impacting taxpayers. FY 2004 audit results demonstrated significant results in these areas. On a regular basis, OA reviews its methodology to forecast realistic performance metrics for future years. Analyzing trends in performance for audit activities is also useful in developing reasonable expectations for future years, taking into account resource levels, as well as any unusual circumstances that may impact performance.

Unfortunately, the nature of an audit is such that identifying the results that may be achieved in advance remains a challenge. As an Inspector General office, the primary significance of the audit rests on its value as part of the required oversight of the IRS systems and operations, as set forth in the *Inspector General Act of 1978*, as amended, and *RRA 98*.

Audit's performance goals for FY 2005 are based on resources identified in the FY 2005 President's Budget as enacted. It is anticipated that the FY 2005 performance goals are achievable given the resources allocated and are aligned with TIGTA's strategic direction and Treasury's priorities.

FY 2006 Performance Plan

TIGTA's OA has developed performance goals for FY 2006, again based on its evaluation of resources, scope of work and past performance. In addition, TIGTA carefully reviewed the IRS' major management challenges, as well as the concerns of Congress, the IRS Oversight Board, the IRS Commissioner and the public. The FY 2006 projections for program performance are aligned with anticipated resource levels and support the IRS and Treasury's priorities.

Budget Activity: Investigations

TIGTA's investigative office is somewhat unique within the Inspector General community, in that it serves dual roles – a law enforcement agency with an IG mission. As a result, its investigative activities involve the protection of the integrity of tax administration and Treasury's ability to collect revenue owed to the federal government. The United States' system of taxation rests on a foundation of voluntary compliance. Taxpayers are expected to voluntarily fulfill their Federal tax obligations. In return taxpayers expect that those charged with administering the Federal tax laws adhere to high standards of honesty and treat all taxpayers equitably. If the government fails to detect and prevent IRS internal misconduct or external manipulation of the tax system, the result could be extensive non-compliance with the tax laws, jeopardizing its main source of revenue and endangering U.S. security and economic welfare. TIGTA works to maintain U.S. citizens' belief in the integrity of the Federal tax infrastructure by ensuring that the tax system is managed fairly and effectively, and that violators of the public's trust can and will be investigated.

To maximize efficient use of resources as part of the PMA's Budget and Performance Integration initiative, TIGTA's Office of Investigations (OI) regularly conducts an analysis of its core components and alignment with the strategic focus of the organization. The creation and use of a performance model with three primary focus areas has allowed OI to direct crucial resources to the most vulnerable areas. The primary focus areas are: IRS employee integrity, IRS employee and infrastructure security, and external threats to corrupt federal tax administration.

A crucial consideration for the majority of OI's work is its reactive nature. This requires carefully balancing resources to ensure a thorough response and follow-through to allegations of criminal activity and IRS employee misconduct; while preserving pro-active efforts to explore and detect fraud and criminal vulnerabilities. As reported within this submission, newly created performance measures have been designed to demonstrate how effective investigative activities are in supporting the organization's mission as well as Treasury's priorities.

Budget Activity: Investigations**SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (TABLE 3.1)****(Dollars in Thousands)**

Treasury Goal: <i>Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of the Treasury</i>							
Budget Activity: Investigations	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004		FY 2005 Target	FY 2006 Proposed
				Target	Actual		
Total Operating Level (appropriated and reimbursable)	N/A ^{1/}	N/A ^{1/}	\$79,012	\$81,894	\$81,667	\$82,692	\$85,782
Total FTE (direct and reimbursable)	N/A ^{1/}	N/A ^{1/}	549	531	507	510	513
Treasury Objective: Protect the integrity of the Department of the Treasury.							
Appropriated Resources (Salaries and Expenses Account) Direct FTE	N/A ^{1/}	N/A ^{1/}	75,933	\$78,932	\$78,644	\$79,701	\$82,957
			534	516	492	495	498
Offsetting Collections (reimbursable)	N/A ^{1/}	N/A ^{1/}	\$3,079	\$2,962	\$3,023	\$2,991	\$2,825
Reimbursable FTE			15	15	15	15	15
Strategic Goal: Protect the integrity of tax administration.							
6. Percentage <i>positive results</i> from investigative activities.	N/A ^{2/}	N/A ^{2/}	N/A ^{2/}	Baseline	64%	67%	TBD
7. Provide integrity briefings to 33 % of IRS employees during fiscal year.	43%	39%	36%	33%	43%	Discontinued	Discontinued
8. Increase in financial accomplishments that result from investigative activities.	New in FY 2004	New in FY 2004	New in FY 2004	Baseline	Baseline	Discontinued	Discontinued

^{1/} Not Applicable due to variances in reporting formats.^{2/} New performance measure in FY 2004.

Budget Activity: Investigations

Evaluation of FY 2005 Performance Plan compared to Prior Year

In the evaluation of FY 2004, TIGTA's OI factored the baseline results of its FY 2004 developed new performance metrics. The new measures were designed to better demonstrate TIGTA's value to its stakeholders. In addition, the new performance metrics enable OI to demonstrate and enhance investigative activities in support of the organization's mission. Maintaining focused investigative activities, both reactive and proactive, in each of the three areas of emphasis: employee integrity, employee and infrastructure security, and external attempts to corrupt tax administration, will yield greater results in the prevention and detection of fraud and abuse in IRS programs and operations.

In FY 2004, TIGTA focused its investigative resources to achieve the most return on investment for the IRS, the Department of the Treasury, and the American taxpayer. Investigative performance included 3,568 cases opened and 3,900 cases closed in FY 2004. In addition, there were a total of 7,300 complaints received of alleged criminal wrongdoing or administrative conduct.

FY 2006 Performance Plan

OI used baseline performance outcomes for FY 2004 to determine FY 2006 projections that correspond to resource levels and past performance. In addition, consideration will be given to the IRS' challenges, as well as the concerns of Congress, IRS Oversight Board, IRS Commissioner and the public. The FY 2006 projections for program performance are structured to support the IRS' strategic objectives and respond to Treasury's priorities.

SECTION 4 SUPPORTING MATERIALS

SUMMARY OF BUREAU-WIDE PERFORMANCE MEASURES

TIGTA's third strategic goal is to ***Be an Organization that Values its People*** and this fundamental concept rests on the importance of having a dedicated, innovative and committed workforce to ensure the organization achieves its mission. To maintain and strengthen an exceptional workforce, TIGTA has embraced the PMA's Human Capital Management initiative and identified strategic objectives necessary to retain a highly skilled workforce. Transparent across both of TIGTA's budget activities, this goal is an essential strategy utilized throughout the organization. Similar to other agencies' circumstances, TIGTA is faced with current and emerging challenges in securing the most competent and qualified individuals in an era of "baby boom" retirements and private sector competition. To counter some of the challenges, TIGTA's innovation has led to the creation of a dynamic telecommuting program. A recent survey of employee satisfaction demonstrated telework's positive impact on the employees. Finally, being recognized as one of the *Best Places to Work* in the federal government, TIGTA is proud of its commitment to its goal of valuing its people.

Treasury Goal: <i>Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of the Treasury (M5)</i>							
Strategic Goal: Be an organization that values its people.							
TIGTA-Wide	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004		FY 2005 Target	FY 2006 Proposed
				Target	Actual		
9. Achieve at least a 75 percent positive response rate on employee satisfaction surveys.	73%	Biennial Survey	78%	Biennial Survey	N/A	Discontinued	Discontinued

DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY CATEGORY (Table 4.1)

Position Category	Actual FY 2004	Estimated		Changes
		FY 2005	FY 2006	
Statutory executive positions 1/.....	12	13	13	-
Auditors.....	291	286	287	1
Special Agents.....	331	328	331	3
Policy/program professional staff.....	139	137	137	-
Administrative staff.....	18	18	18	-
Secretarial and clerical.....	67	66	66	-
Crafts and custodial.....	-	-	-	-
Subtotal.....	858	848	852	4
Part-time & temporary full-time equivalent positions.....	4	4	4	-
Total full-time equivalent positions 2/	862	852	856	4

DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY GRADE (Table 4.2)

Grade	FY 2004 Actual	FY 2005 Estimated Operating Level	FY 2006 Budget Estimate	Changes
Executive Level 1.....	-	-	-	-
Executive Level 2.....	-	-	-	-
Executive Level 3.....	-	-	-	-
Executive Level 4	-	1	1	-
Executive Level 5.....	-	-	-	-
Subtotal.....	-	1	1	-
Senior Executive Service Pay Band 1/.....	12	12	12	-
Subtotal.....	12	12	12	-
GS-18.....	-	-	-	-
GS-17.....	-	-	-	-
GS-16.....	-	-	-	-
GS-15.....	50	50	50	-
GS-14.....	141	140	140	-
GS-13.....	466	473	477	4
GS-12.....	78	78	78	-
GS-11.....	23	20	20	-
GS-10.....	3	3	3	-
GS-09.....	39	26	26	-
GS-08.....	36	35	35	-
GS-07.....	9	9	9	-
GS-06.....	3	3	3	-
GS-05.....	2	2	2	-
GS-04.....	-	-	-	-
GS-03.....	-	-	-	-
GS-02.....	-	-	-	-
GS-01.....	-	-	-	-
Subtotal.....	850	839	843	4
Other.....	-	-	-	-
Total full-time equivalent positions	862	852	856	4

1/ PL 108-136 abolishes the six levels of SES pay and replaces it with a new performance-based system effective January 2004.

EXPLANATION OF PROPOSED FY 2005 OPERATING BUDGET (Table 4.3)
(Dollars in Thousands)

OBJECT CLASS	FY 2005 Pres. Budget as Amended		+ or - Congressional Action		FY 2005 Enacted Level		Other Proposed Reprogrammings		Effect of Transfers, Prop. Supp./ Rescission		FY 2005 Proposed Operating Level	
	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE
11.1 Full-Time Permanent Positions.....	71,523	862			71,523	862	(180)		(796)	(10)	70,547	852
11.1 Other than Full-Time Permanent Positions.....	514				514		(5)				509	
11.5 Other Personnel Compensation.....	7,900				7,900		430				8,330	
11.8 Special Personal Services Payments.....	-				-						-	
11.9 Personnel Compensation (Total).....	79,937	862	-	-	79,937	862	245	-	(796)	(10)	79,386	852
12.0 Personnel Benefits.....	21,262				21,262		1,974		(237)		22,999	
13.0 Ben. Former Personnel.....	0				-						-	
21.0 Travel.....	4,378				4,378		(248)				4,130	
22.0 Transportation of Things.....	143				143		(130)				13	
23.1 Rental Paym'ts to GSA.....	8,834				8,834		53				8,887	
23.2 Rent Paym'ts to Others.....	232				232		10				242	
23.3 Commun., Util., & Misc.....	2,636				2,636		(508)				2,128	
24.0 Printing and Reprod.....	32				32		(24)				8	
25.1 Advisory & Assistance Services.....	793				793		296				1,089	
25.2 Other Services.....	1,101				1,101		(251)				850	
25.3 Purchase of Goods/Serv. from Govt. Accts...	3,892				3,892		(979)				2,913	
25.4 Operation & Maintenance of Facilities.....	214				214		(40)				174	
25.7 Operation & Maintenance of Equipment.....	843				843		341				1,184	
26.0 Supplies and Materials.....	1,083				1,083		37				1,120	
31.0 Equipment.....	3,688				3,688		(817)				2,871	
42.0 Insur. Claims & Indemn.....	7				7		42				49	
91.0 Confidential Expenditures.....	51				51		(1)				50	
TOTAL BUDGET AUTHORITY	129,126	862	-	-	129,126	862	-	-	(1,033)	(10)	128,093	852
<u>ACTIVITIES</u>												
1) Audit.....	48,805	358			48,805	358	-		(413)	(1)	48,392	357
2) Investigations.....	80,321	504			80,321	504	-		(620)	(9)	79,701	495
TOTAL BUDGET AUTHORITY	129,126	862	-	-	129,126	862	-	-	(1,033)	(10)	128,093	852

STANDARD OBJECT CLASSIFICATION SCHEDULE - Direct Obligations (Table 4.4)
(Dollars in Thousands)

Object Class	FY 2004 Actual	FY 2005 Proposed Operating Level	FY 2006 Budget Estimate	Increases/ Decreases for FY 2006
Object Classification				
Personnel compensation:				
Permanent positions.....	70,818	70,547	72,644	2,097
Positions other than permanent.....	438	509	524	15
Other personnel compensation.....	7,671	8,330	8,624	294
Special personal services payments.....	-	-	-	-
Total personnel compensation.....	78,927	79,386	81,792	2,406
Civilian personnel benefits.....	21,283	22,999	23,776	777
Benefits to former personnel.....	-	-	-	-
Travel and transportation of persons.....	4,003	4,130	4,249	119
Transportation of things.....	64	13	13	-
Rents, communications and utilities:				
Rental payments to GSA.....	8,103	8,887	10,206	1,319
Rental payments to others.....	446	242	246	4
Other rents, communications and utilities.....	2,001	2,128	2,167	39
Printing and reproduction.....	10	8	9	1
Other services:				
Advisory & assistance services.....	1,203	1,089	1,105	16
Other services.....	938	850	862	12
Purchase of goods/services from Govt. accts.....	3,514	2,913	3,158	245
Operation & maintenance of facilities.....	387	174	219	45
Operation & maintenance of equipment.....	680	1,184	1,201	17
Supplies and materials.....	1,127	1,120	1,157	37
Equipment.....	4,037	2,871	3,025	154
Insurance claims and indemnities.....	53	49	50	1
Confidential expenditures.....	19	50	51	1
Total obligations.....	126,795	128,093	133,286	5,193
Unobligated balance available, SOY.....	-	-	-	-
Unobligated balance available, EOY.....	-	-	-	-
Unobligated balance expiring.....	484	-	-	-
Total enacted appropriations and budget estimate	127,279	128,093	133,286	5,193

VERIFICATION AND VALIDATION OF DATA AND PERFORMANCE MEASUREMENT

The following list presents the definitions, verification, and validation information for each performance measure that supports TIGTA's annual performance plan and as reported in TIGTA's Summary of Program Resources and Performance Tables. Based upon the verification and validation information, TIGTA rated each measure's data as having either: "Reasonable Accuracy" (judged to be sufficiently accurate for program management and performance reporting purposes) or as "Questionable or Unknown Accuracy" (judged to have insufficient accuracy for program management and performance reporting purposes).

I. Treasury Strategic Goal: **Ensure professionalism, excellence, integrity and accountability in the management and conduct of the Department of the Treasury.**

- **Performance Measure #1: Increase in potential *financial accomplishments* that result from audit activities.**

(The following two bulleted definitions are rolled-up into the measurement)

- **Total potential increased revenue or revenue protected as a result of audit recommendations during the fiscal year.**
[Part of financial accomplishments measure]

Definition: Total potential government revenue from increased tax, interest and penalties from taxpayers, or denied refunds, identified in final audit reports issued during a fiscal year. This includes assessment or collection of additional taxes (increased revenue), or prior denial or claims for refund, including recommendations that prevent erroneous refunds or efforts to defraud the tax system (revenue protection).

How the data is captured: Data is input into a centralized database and verified against draft and final report documents.

How the data is verified and validated to make certain it is correct: Data on increased revenue and revenue protected is the result of individual audits. All factual information in audit reports is supported by audit evidence. A qualified auditor independent of the review validates this data. To assure data accuracy, audit managers submit an impact assessment document for each audit showing the revenue calculations. In addition, IRS management is given the opportunity to review the data and the methodology used to calculate the data at the draft report stage.

Data Accuracy: **Reasonable Accuracy.** Data Frequency: Monthly.

- **Potential monetary benefits from audit recommendations made during the fiscal year.**
[Part of financial accomplishments measure]

Definition: Potential monetary benefits are the total questioned costs and funds that could be put to better use identified in audit reports issued in a fiscal year. The term “questioned cost” means a cost that is questioned because of: (1) an alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation (“unsupported cost”); or (3) a finding that expenditure of funds for the intended purpose is unnecessary or unreasonable. Questioned costs also include “disallowed costs,” which means a cost that management has sustained or agreed should not be charged to the government. The term “funds put to better use” means funds that could be used more efficiently and effectively if management took actions to implement and complete an audit recommendation.

How the data is captured: Data on *questioned costs* and *funds put to better use* resulting from each audit is tracked manually. This data is input into a centralized database and verified against draft and final report documents.

How the data is verified and validated to make certain it is accurate: Questioned costs and funds put to better use are identified in audit reports. All factual information in audit reports is supported by audit evidence. A qualified auditor independent of the review validates this data. To assure data accuracy, audit managers submit an impact assessment document indicating the total amount of questioned costs and funds that could be put to better use. In addition, IRS management is given the opportunity to review the data and the methodology used to calculate the data during the draft report stage.

Data Accuracy: **Reasonable Accuracy.** Data Frequency: Monthly.

• **Performance Measure #2: Number of final audit reports issued. (Discontinued as an external performance measure).**

Definition: The total number of audit reports issued in a particular fiscal year. These reports include those resulting from audits conducted by the TIGTA Office of Audit as well as audit reports prepared by the Defense Contract Audit Agency on behalf of TIGTA.

How the data is captured: Inspector General (for Tax Administration) Automated Management Information System (IGAMIS).

Data Accuracy: **Reasonable Accuracy.** Data Frequency: Monthly.

- **Performance Measure #3: Average staff days to issue final audit report. (Discontinued as an external performance measure).**

Definition: The total number of direct hours divided by eight charged by the assigned team to an individual audit. A direct hour reflects time spent by a member of the assigned audit team toward planning, conducting, and reporting on the results for a specific audit.

How the data is captured: Inspector General (for Tax Administration) Automated Management Information System (IGAMIS).

Data Accuracy: **Reasonable Accuracy.** Data Frequency: Monthly.

- **Performance Measure #4: Average calendar days to issue final audit report.**

Definition: The total number of days elapsed from the start of an audit to the final report issuance date.

How the data is captured: Inspector General (for Tax Administration) Automated Management Information System (IGAMIS).

Data Accuracy: **Reasonable Accuracy.** Data Frequency: Monthly.

- **Performance Measure #5: Increase in the total potential taxpayer accounts impacted as a result of audit activities.**

Definition: Total number of taxpaying entities for whom rights and entitlements are protected, taxpayer burden is reduced or privacy and security over sensitive taxpayer data is improved because of audit recommendations made in audit reports issued during a fiscal year. The term “protect rights and entitlements” refers to the protection of due process (rights) granted to taxpayers by law, regulation, or IRS policies and procedures. The term “taxpayer burden” refers to the time saved by individuals or businesses in contacts, record keeping or preparation to comply with tax laws, regulations and IRS policies and procedures. The term “improved privacy and security” refers to the protection of taxpayer financial and account information (privacy) and the protection of tax-related processes, systems and programs (security).

How data is captured: Data is input into a centralized database and verified against draft and final report documents.

How the data is verified and validated to make certain it is accurate: Data on taxpaying entities impacted by protection of rights and entitlements, taxpayer burden, and improved privacy and security results from individual audits. All factual information in audit reports is supported by audit evidence. A qualified auditor independent of the review validates this data.

To assure data accuracy, audit managers submit an impact assessment document for each audit showing the number of taxpaying entities impacted. In addition, IRS management is given the opportunity to review the data and the methodology used to calculate the data at the draft report stage.

Data Accuracy: **Reasonable Accuracy.** Data Frequency: Monthly.

- **Performance Measure #6: Percentage positive results from investigative activities.**

Definition: *Positive results from investigative activities* refers to cases within the universe of all TIGTA cases, that most accurately aligns with the mission of the organization, and provides the greatest impact on the protection of the integrity of tax administration. This category would include closed investigative cases that resulted in the protection of the IRS' ability to collect revenue for the federal government by protecting the integrity of tax administration. Specific cases involve allegations of criminal violations and serious administrative misconduct by IRS employees, to protect the IRS against external attempts to corrupt tax administration, and to ensure IRS employee and infrastructure security. Some examples of the types of cases in the positive results category includes, bribes offered by taxpayers to compromise IRS employees; manipulation of IRS systems and programs through the use of bogus liens and IRS financial reporting instruments; and, impersonation of IRS officials.

The number of cases showing a positive result is then divided by the total cases closed in the fiscal year to arrive at a ratio. The percentage increase is then reflected in the expected change from one fiscal year to the next.

How data is captured: The total number of investigative cases closed along with the total number of completed Criminal, Civil and Administrative Actions is extracted from the Performance and Results Information System (PARIS).

How the data is verified and validated to make certain it is accurate: Reports of Investigation and PARIS data are reviewed for consistency by Special Agents-in-Charge prior to closing the investigation. Additionally, independent reviews are conducted periodically of each field office where a sample of closed investigations are quality reviewed by the Special Inquiries and Intelligence Division Inspection Team to ensure accuracy of the PARIS data.

Data Accuracy: **Reasonable Accuracy.** Data Frequency: Monthly.

- **Performance Measure #7: Provide integrity briefings to 33% of Internal Revenue Service employees during the fiscal year. (Discontinued as an external performance measure).**

Definition: The percentage is computed by dividing the number of IRS employees attending TIGTA awareness/integrity briefings in a fiscal year by the average number of permanent IRS employees on board during the fiscal year. The purpose of the briefings is to educate employees on the expected professional conduct as they execute their responsibilities.

How the data is captured: Data is extracted from the Performance and Results Information System (PARIS). Special agents participating in awareness/integrity briefings take attendance and input the data into PARIS. Selected PARIS data is quality reviewed as part of the field division inspection process. The number of IRS employees is obtained from IRS' Automated Financial System. The permanent on rolls at the end of each period is averaged to determine the number of IRS employees for each fiscal year.

Data Accuracy: Reasonable accuracy. Data Frequency: Monthly.

- **Performance Measure #8: Increase in financial accomplishments that result from investigative activities. (Discontinued as an external performance measure).**

Definition: Total protection of dollars and financial recoveries associated with closed investigations during a fiscal year includes tax assessments potentially compromised by a bribe, threat or embezzlements, value of government property recovered, resources protected against malicious loss, dollar value of court ordered criminal and civil penalties, restitution and seizures, forfeitures, and recoveries.

How is the data captured: Data on the protection of dollars and financial recoveries is extracted from the Performance and Results Information System (PARIS).

How the data is verified and validated to make certain it is accurate: Reports of Investigation and PARIS are reviewed for consistency by Special Agents in Charge prior to closing the investigation. Additionally, independent reviews are conducted periodically of each field office where a sample of closed investigations is quality reviewed by an independent inspection team to ensure accuracy of the PARIS data.

Data Accuracy: Reasonable Accuracy. Data Frequency: Monthly.

- **Performance Measure #9: Achieve at least a 75 percent positive response rate on employee satisfaction surveys. (Discontinued as an external performance measure).**

This performance measure is transparent across both audit and investigation budget activities and is reflected as a bureau-wide performance measure.

Definition: The percentage is calculated by dividing the number of employee respondents indicating that TIGTA provides a positive work environment by the total number of employee respondents.

How the data is captured: A survey questionnaire is disseminated to all TIGTA employees. Employee surveys are conducted biennially. All TIGTA employees are provided the opportunity to participate in the survey.

How the data is verified and validated to make certain it is accurate: The survey vehicle will be developed, administered and compiled using contractor support. The survey results are reviewed by the TIGTA office responsible for overseeing the employee survey efforts.

Data Accuracy: **Reasonable Accuracy.** Data Frequency: Biennially.

Treasury Inspector General for Tax Administration /Account 20_0119: Summary of IT and Non-IT Capital Investments (Table 4.7) (Reflects Data in ProSight, formerly I-TIPS)				
(\$000)				
Type	Project Name	Cumulative thru FY 2004	FY 2005	FY 2006
	TIGTA-Wide Activities			
IT	Ex. 53 TIGTA Laptop Lease	840	800	800
IT	Ex. 53 TIGTA Server Lease	230	230	230
IT	Ex. 53 TIGTA Wide Area Network	1,970	2,090	2,210
IT	Ex. 53 TIGTA Data Center Warehouse	280	280	280
IT	Ex. 53 TIGTA Wireless Management Communications		390	270
IT	Ex. 53 TIGTA Enterprise Architecture	250	250	250
	Subtotal	3,570	4,040	4,040
	Investigations Budget Activity			
Non-IT	E300 TIGTA Enforcement Vehicle Fleet	3,026	1,480	1,480
	Subtotal	3,026	1,480	1,480
	Grand Total	6,596	5,520	5,520

*Funding for this Exhibit 53 is in the Audit and the Investigations Budget Activities